

APPENDIX 2

AMENDMENT 1 to the Interlocal Cooperation Agreement Between

Pacific Hospital Preservation and Development Authority
(hereinafter "Authority")
and
King County, Washington
(hereinafter "County")

WHEREAS, on April 17, 1991, an interlocal cooperation agreement was signed by the County and the Authority which set forth the terms and conditions concerning the County's issuance of Bonds authorized by King County Ordinance No. 8196 which provided in excess of \$9,315,000 to the Authority to modify the structure of the Authority's Beacon Hill facility to bring it into compliance with City of Seattle seismic and other building codes; and

WHEREAS, the purpose of said interlocal cooperation agreement include the need to ensure that the Authority's project would benefit indigent persons for at least that period of time during which any bonds sold to finance the project remain outstanding or for twenty years after the date of issuance of the Bonds, whichever is longer, and to ensure that the Authority meets certain obligations as part of the network of health care providers for the indigent, and

WHEREAS, the reporting mechanisms established in said interlocal cooperation agreement incorporated criteria and data regarding the delivery of health care services based on the system of health care delivery and financing that existed in 1988; and

WHEREAS, the methods of delivering and financing health care in King County were substantially changed in October 1993 by the Washington State Department of Social and Health Services in instituting rules requiring managed care for King County Medicaid patients and further changed in 1993 and thereafter by the passage and subsequent modifications of the Washington State Health System Reform Act (RCW 43.72); and

WHEREAS, the changes mandated by these state laws and regulatory agencies render the 1988 reporting requirements established in the interlocal cooperation agreement to be inaccurate representations of the care the Authority provides to indigent persons.

NOW, THEREFORE, in consideration of the mutual promises made herein, the County and the Authority hereby agree to amend the 1991 Interlocal Cooperation Agreement as follows:

APPENDIX 2 (Continued)

1. AMEND: Article II, Definitions, by adding:

- AD. Department – Seattle-King County Department of Public Health
- AE. Director – Director of the Seattle-King County Department of Public Health
- AF. Manager – Manager of the Community Oriented Primary Care Division
Seattle-King County Department of Public Health

2. AMEND: Article II, Definitions, J

- J. Charity Care – Any medical/dental care rendered to indigent and low income persons for which the Authority (or other health care provider) is not fully reimbursed by patients or third party payors. Contractual allowances shall be one of the elements included in the charity care measurement.

TO READ: Article II, Definitions, J

- J. Charity Care – Any medical/dental care the Authority provides or otherwise arranges to be provided to indigent persons, as defined in this section.

3. AMEND: Article II, Definitions, O

- O. Discount Schedule – The sliding fee scale maintained by the Authority to adjust charges for patients with income below two hundred percent (200%) of the Federal Poverty guidelines adjusted for family size.

TO READ: Article II, Definitions, O

- O. Discount Payment Program – The program maintained by the Authority to financially assist those patients who are indigent persons, as defined in this section, with the payment of health care bills that are due and owing to the Authority.

4. AMEND: Article II, Definitions, T

- T. Indigent Persons – Those patients who have exhausted any third party sources of payments, and whose gross income is below two hundred percent (200%) of the Federal poverty standards, adjusted for family size.

TO READ: Article II, Definitions, T

- T. Indigent Persons – Those patients who receive services within King County, who have exhausted any third party sources of payments, including Medicare and Medicaid, and whose gross income is at or below two hundred percent (200%) of the Federal poverty standards, adjusted for family size, or whose income is otherwise not sufficient to enable them to pay for the care or to pay deductibles or coinsurance amounts required by a third-party payor.

APPENDIX 2 (Continued)

5. AMEND: Article VIII, General Authority Responsibilities, Section 8.2, Charity Care

Section 8.2, Charity Care

As long as any Bonds are outstanding or for twenty years after the date of issuance of the Bonds whichever is longer, the Authority shall provide or otherwise arrange for Charity Care in exchange for a commitment for public funding of the Project. The Authority will maintain not less than the same level of Charity Care as demonstrated in 1988 which will be measured by utilization statistics on Medicare/Medicaid, Discount Program, and Community Clinic Referrals and contractual allowances incurred for services to indigent and low-income patients by the Authority. The level of Charity Care shall be reported in the format shown in Attachment A. In the Event the level of Charity Care falls below the 1988 level, the Authority will explain the reasons for such reduction to the Health Coordination Committee and will submit to the Committee a plan and timeline for increasing Charity Care to the 1988 level. The Health Coordinating Committee will be responsible for reviewing and approving the annually reported levels of Charity Care, and, in the event such level is below the 1988 level, the Health Coordinating Committee shall approve any plans and timelines for increasing the level of Charity Care to the 1988 level. The Authority shall submit evidence of the Health Coordinating Committee's approval with its annual certification to the County required by Section 9.5. In the event the Health Coordinating Committee does not approve the Charity Care report or recommended corrective plan and timeline, the Committee shall so notify the County, and shall submit to the County an analysis of the Charity Care level reported, including recommended actions for dealing with any deficiencies. Nothing in this section shall be deemed to limit the requirement in Section 9.5 to submit an annual certification of compliance with the Agreement.

TO READ: Article VIII, General Authority Responsibilities, Section 8.2, Charity Care

Section 8.2 Charity Care

As long as any Bonds are outstanding or for twenty years after the date of issuance of the Bonds, whichever is longer, the Authority shall provide or otherwise arrange for Charity Care in exchange for a commitment for public funding of the Project. The Authority will maintain not less than the same level of Charity Care as demonstrated in 1988 which will be measured by utilization statistics on that portion of the Authority's Discount Payment Program wherein services are provided to indigent patients and by providing not less than \$1.5 million per year to indigent patients as reported in the Annual Financial Reports on the Discount Payment Program and on the Comprehensive Specialty Care Services for Charity Care Patients. For the purpose of satisfying the commitment to provide not less than \$1.5 million per year to indigent patients as described above, costs for Charity Care visits, interpreter services for indigent patients, and the net cost for Cross Cultural Services shall be included. In addition, until such time as the Authority, the County and the regional community clinic system, have refined internal processes to insure that as many patients as are reasonably possible who should be identified as Charity Care Patients are so identified, the Authority's bad debt costs in excess of the industry standard as

APPENDIX 2 (Continued)

illustrated in the Medical Groups Management Association's (MGMA) Cost Survey: 1999 Report Based on 1998 Data, shall be included towards meeting the referenced \$1.5 million per year commitment for the June 30, 2000, report required below. Depending upon the progress of the parties to appropriately identify Charity Care Patients, the use of the Authority's bad debt costs in the manner described above may be extended to June 30, 2001, if recommended by the Director as part of the approval process following submission of the June 30, 2000, report. The industry standard shall be interpreted as that percentage derived by dividing the "Bad debts" amount by the "Gross fee-for-service chgs" amount reported in the referenced "Report" on page 118, in "Table 9.4b: Charges and Revenue," the "11% to 50%" column. Provision of comprehensive specialty care services to such patients of the regional community clinic system and the Seattle-King County Department of Public Health will be a priority component of the Charity Care provided by the Authority in the satisfaction of the above requirements. The level of Charity Care shall be reported by June 30 of each year in the format shown in Amendment 1, Attachment A. In the event the level of Charity Care falls below the 1988 level or falls below the \$1.5 million/year commitment, the Authority will explain the reasons for such reduction to the Manager and will submit to the Manager a plan and timeline for increasing Charity Care to comply with the requirements of this section. The Manager will be responsible for reviewing the annually reported levels of Charity Care and submitting said report to the Director for approval. In the event such level is below the level of Charity Care required by this section, the Manager shall provide any plans and timelines submitted by the Authority for increasing the level of Charity Care to comply with the requirements of this section to the Director for his/her approval. The Authority shall submit evidence of the Director's approval with its annual certification to the County required by Section 9.5. In the event the Director does not approve the Charity Care report or recommended corrective plan and timeline, the Manager shall so notify the County, and shall submit to the County an analysis of the Charity Care level reported, including recommended actions for dealing with any deficiencies. Nothing in this section shall be deemed to limit the requirement in Section 9.5 to submit an annual certification of compliance with the Agreement.

6. AMEND: Article VIII, Section 8.4, Health Coordinating Committee:

Section 8.4 Health Coordinating Committee

The Authority will cooperate with and assist the Health Coordinating Committee or its successor. . . .

TO READ: Article VIII, Section 8.4, Seattle-King County Department of Public Health

Section 8.4 Seattle-King County Department of Public Health

The Authority will cooperate with and assist the Department or its successor. . . .

APPENDIX 2 (Continued)

7. AMEND: Attachment A. Pacific Medical Center, 1988 ANNUAL COMMUNITY CONTRIBUTION REPORT by adding the attached Amendment 1 Attachment A, Pacific Medical ANNUAL COMMUNITY CONTRIBUTION REPORT format.
8. DELETE: Article II, Definitions, R. Health Coordinating Committee.
Article II, Definitions, S. Low Income.

All other terms and conditions of the original interlocal cooperation agreement shall remain unchanged and in full force and effect.

AUTHORITY

By William Riley

Its CEO

acknowledged 2/3/2000
Date: ratified 9/2/2000

Pursuant to Resolution 01-00

COUNTY

Amuklou for Alough
King County Executive

Date: 2-3-2000

Acting under authority of
Motion No. 8222

Approved as to form:

Norm Maleng, King County Prosecuting Attorney

APPENDIX 2 (Continued)

Amendment 1
Attachment A
Pacific Medical Center

ANNUAL COMMUNITY CONTRIBUTION REPORT ON CHARITY CARE--NARRATIVE

Contribution Categories:

1. Charity Care Provided by the Discount Payment Program
2. Other Community Contribution Activity Benefiting the Indigent Population
3. Beginning with the reports due in June 2001 and thereafter, include the following item:
 - Comprehensive Specialty Health Care Services Provided to Charity Care Patients of the:
 1. Regional Community Clinic System, and
 2. Seattle-King County Department of Public Health

APPENDIX 2 (Continued)

Amendment 1
Attachment A
Pacific Medical Center
**COMMUNITY CONTRIBUTION
UTILIZATION STATISTICS**

UNDUPLICATED CHARITY CARE PATIENTS

- Discount Program

Beginning with the reports due in June 2001 and thereafter, include the following item:

- Unduplicated Comprehensive Specialty Health Care Services Charity Care Patients of the:
 1. Regional Community Clinic System, and
 2. Seattle-King County Department of Public Health

CHARITY CARE VISITS

- Discount Program

Beginning with the reports due in June 2001 and thereafter, include the following item:

- Comprehensive Specialty Health Care Service Visits for Charity Care Patients of the:
 1. Regional Community Clinic System, and
 2. Seattle-King County Department of Public Health

APPENDIX 2 (Continued)

Amendment I
Attachment A
Pacific Medical Center
UNCOMPENSATED CHARITY CARE

FINANCIAL REPORT

- Discount Payment Program for Charity Care Patients

Beginning with the reports due in June 2001 and thereafter, include the following item:

FINANCIAL REPORT

- Comprehensive Specialty Health Care Services for Charity Care Patients of the:
 1. Regional Community Clinic System, and
 2. Seattle-King County Department of Public Health